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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
09/703,357	10/31/2000	Michelle Banaugh	WELL0011	3231

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EXAMINER

KYLE, CHARLES R

ART UNIT	PAPER NUMBER
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3624

DATE MAILED: 04/22/2003

Please find below and/or attached an Office communication concerning this application or proceeding.

Office Action Summary	Application No.	Applicant(s)
	09/703,357	BANAUGH ET AL.
	Examiner	Art Unit
	Charles R Kyle	3624

-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If the period for reply specified above is less than thirty (30) days, a reply within the statutory minimum of thirty (30) days will be considered timely.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133).
- Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

Status

- 1) Responsive to communication(s) filed on 07 February 2003.
- 2a) This action is FINAL. 2b) This action is non-final.
- 3) Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

Disposition of Claims

- 4) Claim(s) 1-68 is/are pending in the application.
- 4a) Of the above claim(s) _____ is/are withdrawn from consideration.
- 5) Claim(s) _____ is/are allowed.
- 6) Claim(s) 1-68 is/are rejected.
- 7) Claim(s) _____ is/are objected to.
- 8) Claim(s) _____ are subject to restriction and/or election requirement.

Application Papers

- 9) The specification is objected to by the Examiner.
- 10) The drawing(s) filed on _____ is/are: a) accepted or b) objected to by the Examiner.
Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).
- 11) The proposed drawing correction filed on _____ is: a) approved b) disapproved by the Examiner.
If approved, corrected drawings are required in reply to this Office action.
- 12) The oath or declaration is objected to by the Examiner.

Priority under 35 U.S.C. §§ 119 and 120

- 13) Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) All b) Some * c) None of:
 1. Certified copies of the priority documents have been received.
 2. Certified copies of the priority documents have been received in Application No. _____.
 3. Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).
- * See the attached detailed Office action for a list of the certified copies not received.
- 14) Acknowledgment is made of a claim for domestic priority under 35 U.S.C. § 119(e) (to a provisional application).
a) The translation of the foreign language provisional application has been received.
- 15) Acknowledgment is made of a claim for domestic priority under 35 U.S.C. §§ 120 and/or 121.

Attachment(s)

- | | |
|--|---|
| 1) <input type="checkbox"/> Notice of References Cited (PTO-892) | 4) <input type="checkbox"/> Interview Summary (PTO-413) Paper No(s). _____ |
| 2) <input type="checkbox"/> Notice of Draftsperson's Patent Drawing Review (PTO-948) | 5) <input type="checkbox"/> Notice of Informal Patent Application (PTO-152) |
| 3) <input type="checkbox"/> Information Disclosure Statement(s) (PTO-1449) Paper No(s) _____ | 6) <input type="checkbox"/> Other: _____ |

DETAILED ACTION

Claim Rejections - 35 USC § 112

The rejection of Claims 4, 16, 17, 30, 31, 34, 38, 50, 51, 56, 64, 65 and 68 are withdrawn based on Applicants' amendment.

Claim Rejections - 35 USC § 103

The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

Claims 1-9, 11-13, 16-23, 25-43, 45-47, 50-57, 50-68 are rejected under 35 U.S.C. 103(a) as being unpatentable over *Kravitz* in view of *Gopinathan et al.*

Concerning Claim 35, *Kravitz* discloses the invention substantially as claimed including in an internet-based method for facilitating payments between parties, the steps of:

- a) electronically transferring funds (Col. 8, lines 21-34);
- b) authenticating parties (Col. 7, lines 9-30);
- c) handling exceptions (Col. 36, line 38 to Col. 38, line 11);
- d) reconciling funds (Col. 13, lines 12-26);
- e) interfacing with a web page (Col. 2, lines 6-14)
- f) approval of shipment of product (Col. 15, line 64 to Col. 16, line 8).

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Although *Kravitz* discusses risk decision making for transactions at Col. 3, lines 42-51 and Col. 49, lines 27-35, it does not specifically disclose the details of indicating a clearance to make transactions based on risk assessment. *Gopinathan* generally discloses features as recited in the preambles of Applicants' claims in connection with detection of fraudulent transactions, like those of *Kravitz*. See at least Abstract , Background of the Invention and Summary of the Invention. *Gopinathan* specifically discloses remaining claim limitations of reporting suspicious activity (Figure 4) and clearance to transact based on determined risk (Summary of the Invention; Figure 16; Col. 25, lines 44-62).

It would have been obvious to one of ordinary skill in the art at the time the invention was made to have included the decision making solution disclosed by *Gopinathan* in the electronic payments invention of *Kravitz* because this would have reduced risk of loss to users of the combination. This is specifically set out by *Gopinathan* as a desirable goal at the Col. 1, lines 29-63 and set forth below:

In the following discussion, the term "credit card" will be used for illustrative purposes; however, the techniques and principles discussed herein apply to other types of customer accounts, such as charge cards, bank automated teller machine cards and telephone calling cards.

Credit card issuers conventionally attempt to limit fraud losses by immediately closing a customer's account upon receiving a report that the card has been lost or stolen. Typically, the customer's credit information is then transferred to a new account and a new card is issued. This procedure is only effective in limiting fraudulent use of lost or stolen cards after the loss or theft has been reported to the issuer.

In many cases, however, fraudulent use occurs without the knowledge of the cardholder, and therefore no report is made to the issuer. This may occur if the customer is unaware that the card has been lost or stolen, or if other techniques are employed to perpetrate the fraud, such as: use of counterfeit cards; merchant fraud; application fraud; or interception of credit cards in the mail. In all these situations, the fraudulent use may not be detected until (and unless) the cardholder notices an unfamiliar transaction on his or her next monthly statement and contests the corresponding charge. The concomitant delay in detection of fraud may result in significant losses. User fraud, in which the user claims that a valid transaction is invalid, is also possible.

Simply put, the risk-based approval process of *Gopinathan* would reduce losses to users of the electronic payments system disclosed by *Kravitz*. This benefit would make the combination obvious.

Limitations of Claims 36-43, 45-47, 50-52, 54-57, 59-62 and 64-68 are also disclosed by the prior art cited above.

As to Claims reciting a proprietary five second processing time, this is considered a design choice. The specification discloses no particular advantage, is used for a particular purpose or solves a stated problem as compared to prior art systems. One of ordinary skill in the art would reasonably expect similar performance and benefits arising from the use of 3 or 7 second periods, as an example.

With respect to Claims 1-9, 11-13, 16-18, 20-23, 30-34, they are the system form of Claims rejected above and are rejected in a like manner.

Claims 14, 15, 48 and 49 are rejected under 35 U.S.C. 103(a) as being unpatentable over *Kravitz* and *Gopinathan et al* in view of *Blazing A Trail in Point of Sale Transaction*.

With respect to Claims 14 and 48, *Kravitz* and *Gopinathan* disclose the invention substantially as claimed. See the discussions set forth above. They do not specifically disclose real-time debit of funds. *Blazing* discloses real-time electronic debits at Abstract. It would have been obvious to one of ordinary skill in the art at the time the invention was made to have used the electronic debit mechanism of *Blazing* in the combination of *Kravitz* and *Gopinathan* because this would have speeded payment, increased merchant confidence of payment, and reduced fraud losses as specifically disclosed by *Blazing*.

With respect to Claims 15 and 49, placing a hold on funds would be obvious because this would assure collection of funds from a payor.

Claims 10, 24, 44 and 58 are rejected under 35 U.S.C. 103(a) as being unpatentable over *Kravitz and Gopinathan et al* in view of *Hilts et al.*

With respect to Claims 10 and 44, *Kravitz and Gopinathan* disclose the invention substantially as claimed. See the discussions set forth above. They do not specifically disclose reversible transactions. *Hilts et al* disclose such a feature at Abstract and Background of the Invention. It would have been obvious to one of ordinary skill in the art at the time the invention was made to have provided for transaction reversal as disclosed in *Hilts* in the combination of *Kravitz and Gopinathan* because this would have allowed for restoration of the state prior to an exceptional or defective transaction so as to eliminate loss to a seller in a particular transaction.

With respect to Claims 24 and 58, see the discussions of Claims 44 and 35 above.

Response to Arguments

Applicants' arguments of Paper Number 6, received February 7, 2003 have been fully considered, but are not persuasive.

Applicants' substantive arguments begin at page 9, regarding Kravitz's teachings. Applicant correctly notes that Kravitz teaches a method of payment At page 10, first and second full paragraphs, Applicant asserts that Kravitz and the claimed invention are based on two different types of technology. Applicant discusses the claimed invention to distinguish the two, but given that Applicants' arguments relate to Claims 1

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and 35, their argument is unpersuasive. Applicants argue unclaimed features. Additionally, the Examiner relied on Gopinathan for decision-making elements, not Kravitz.

At third paragraph, Applicants argue that a merchant does not receive customer account information. See Kravitz, Col. 9, lines 36-51; a customer identifier is disclosed.

At fourth paragraph, Applicants argue that in their invention, a merchant can receive account information. This is unclaimed.

In Claims 1 and 35, which Applicants' comments address, the elements recite fundamental and well-known concepts of payment and acceptance. For example, Claim 1 recites features which are old and well-known in the processing of payments using checks. Kravitz has been cited to give evidence of the familiarity of these items. A brief description of these elements and their relation to check processing follows. Claim 1 recites:

Transferring funds between parties (check clearance);

Authentication (checking identification such as a drivers license);

Exception handling (Processing NSF checks);

Reconciliation (account reconciliation);

Reporting suspicious activity (Velocity measurements);

Shipping approval (requiring payment before shipment);

Gopinatnhan was relied on for the decision-making aspect of the invention. See above.

The rejections are set forth in this and the prior office action. Applicants have not argued that the references fail to teach all elements or why their combination is improper.

At paragraph five, Applicants argue known payment processing elements which are not claimed.

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At page 11, third paragraph, Applicants argue that Kravitz does not disclose electronically transferring funds. See Kravitz at Background of the Invention. The Examiner considers that authenticated messages inherently come from authenticated parties. By definition, authentication assures that the person at the other end of a digital connection is the approved user.

At page 12, Applicants argue that their five-second wait is optimal but provide no evidence or citation of their Specification to support this assertion.

Subsequent arguments address dependent Claims but depend on the logic of arguments on Claims 1 and 35 addressed above.

The rejections are maintained.

Conclusion

THIS ACTION IS MADE FINAL. Applicant is reminded of the extension of time policy as set forth in 37 CFR 1.136(a).

A shortened statutory period for reply to this final action is set to expire THREE MONTHS from the mailing date of this action. In the event a first reply is filed within TWO MONTHS of the mailing date of this final action and the advisory action is not mailed until after the end of the THREE-MONTH shortened statutory period, then the shortened statutory period will expire on the date the advisory action is mailed, and any extension fee pursuant to 37 CFR 1.136(a) will be calculated from the mailing date of the advisory action. In no event, however, will the statutory period for reply expire later than SIX MONTHS from the mailing date of this final action.

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Any inquiry concerning this communication or earlier communications from the examiner should be directed to Charles R Kyle whose telephone number is (703) 305-4458. The examiner can normally be reached on M-F 6:00-2:30.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Vincent Millin can be reached on (703) 308-1065. The fax phone number for the organization where this application or proceeding is assigned is (703) 746-5560.

Any inquiry of a general nature or relating to the status of this application or proceeding should be directed to the receptionist whose telephone number is (703) 308-1113.

Ch
crk

April 16, 2003



HANI M. KAZIMI
PRIMARY EXAMINER